

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION – DETROIT

In the matter of:

CITY OF DETROIT, MICHIGAN

Case No. 13-53846-swr

Chapter 9

Hon. STEVEN W. RHODES

\_\_\_\_\_  
Debtor \_\_\_\_\_/

**OBJECTION TO CITY OF DETROIT'S PLAN OF ADJUSTMENT [DOCKET 4392]**

FILED BY: \_\_\_\_\_ Michael D. Shane \_\_\_\_\_

Michael D. Shane hereby states his/her/their OBJECTION TO:

CITY OF DETROIT'S PLAN OF ADJUSTMENT

for the following reasons.

1. I am interested in the Bankruptcy of the City of Detroit because I am a long time resident and taxpayer of the City of Detroit, a customer of the Detroit Water and Sewerage Department (DWSD), and have friends and neighbors who are City workers and retirees.

2. I object to the above filing because:

- I. The plan does not account for the ongoing foreclosure crisis in Detroit as described in a recent report by the Haas Institute for a Fair and Inclusive Society entitled "Underwater America: How the So-Called Housing Recovery is Bypassing Many Communities" (Exhibits 1 and 2). Failure to do so will probably underestimate the property tax receipts over the next 20 years, casting doubt on the viability of the Plan of Adjustment.
- II. The Plan does not bring the parties that profited immensely during the run-up to the housing crisis and onset of the Great Recession to the table to negotiate

Page 1 | 3

a general reduction in the principal owed on home mortgages in Detroit. This would directly benefit pensioners who still have outstanding balances on their mortgages. It would contribute to the stabilization of neighborhoods and property tax values.

- III. The plan does not pursue property taxes not paid by the banks and investment firms who owned properties that they had foreclosed upon. Nor does the Plan or Disclosure Statement identify the proportion of unpaid property taxes that went unpaid by banks and corporations.
- IV. The Plan does not address the swap termination fees paid by the Detroit Water and Sewerage Department in 2011 and 2012, using bond proceeds intended for much needed infrastructure improvements of the water and sewer system. These particular swaps probably involved some improper activity and may be subject to “clawback”.
- V. The plan violates the Constitution of the State of Michigan by cutting pension benefits.
- VI. The Plan harms pensioners by cutting their well-deserved benefits, which are really deferred wages. The city workers did not cause the economic crisis that preceded Detroit’s bankruptcy.
- VII. The cost of blight removal and neighborhood restoration should be placed upon the banks and investment firms who profited from the sale and servicing of subprime loans that ultimately led to the massive number foreclosures in Detroit and the resulting drop in property tax receipts. The funds should not come from monies allocated to help families stay in their homes.

3. I have attached additional sheets (Exhibits) to explain and establish my position.

I hereby certify that the statements made herein are true and correct under penalty of perjury and contempt of Court under the laws of the United States of America.

Wherefore I/ we request the Court will deny the relief sought in said filing.

Name: Michael D. Shane

Signature: Michael D. Shane

Address: 16815 Patton

Detroit, MI 48219

Email: mshane999@sbcglobal.net

Dated:

Exhibit 1 (3 pages)

# UNDERWATER AMERICA

HOW THE SO-CALLED HOUSING "RECOVERY" IS BYPASSING MANY AMERICAN COMMUNITIES

## Detroit, Michigan

Nationally, there are widespread reports about a housing recovery. However, the Haas Institute's report, *Underwater America: How the So-Called "Recovery" Is Bypassing Many American Communities*, shows that this recovery has left behind the hardest-hit neighborhoods in cities like Detroit. In these housing "hot spots" too many homeowners are still underwater on their mortgage, which means they owe more than their homes are worth. These communities have already seen millions in wealth wiped out as a result of the foreclosure crisis, but for the homeowners who live in these hot spots, there is no relief in sight.

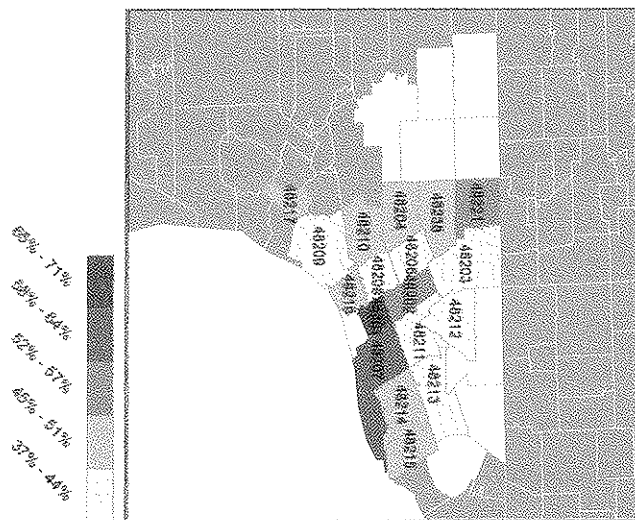
Moreover, even within these cities, working class communities of color are bearing a disproportionate share of the impact of the ongoing crisis. The same communities that were targeted for predatory mortgages in the first place and saw generations of wealth stripped away through foreclosures, are now concentrated in these housing hot spots, where they are more likely to be underwater on their mortgages.

### Key facts about the housing crisis in Detroit

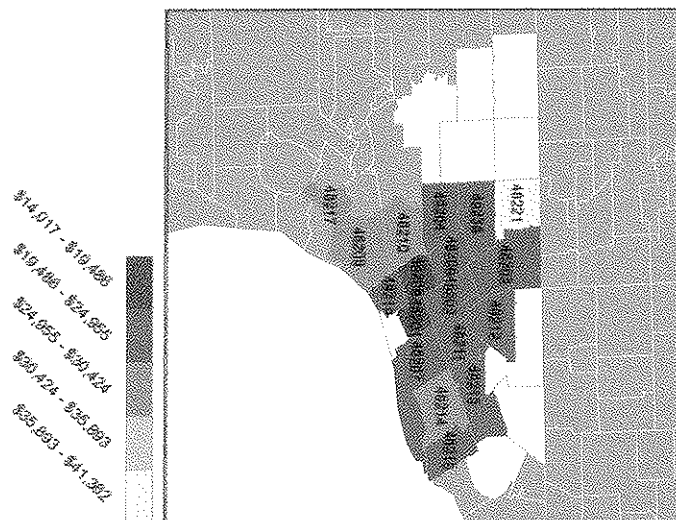
- 47 percent of Detroit homeowners were still underwater on their mortgages at the end of 2013, making it the hardest-hit city in the country with more than 500,000 people, and the fifth hardest-hit with more than 100,000.
- Detroit home prices remain 57 percent below their peak levels.
- Nearly 6,000 homeowners in Detroit went into default or foreclosure in 2013.
- African Americans and Latinos account for more than 90 percent of the population of Detroit. Across the country cities like Detroit, with large communities of color, have been disparately impacted by the housing crisis.
- Low-income communities have also borne a disparate share of the impact of the housing crisis. Detroit's hard-hit neighborhoods are overwhelmingly low-income. The median household income in the city is just \$26,955, just over half of the national median.

# Detroit

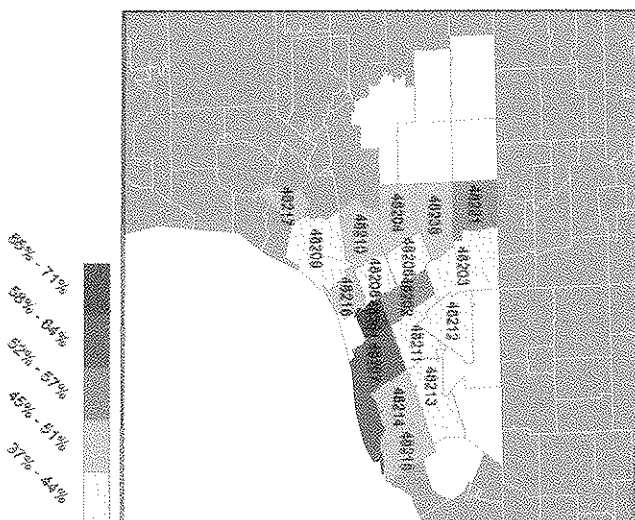
Percentage of Homes Underwater



Median Household Income



Percent African American and Latino



\*ZIP codes for which Zillow did not have underwater mortgage data are not included in these maps and appear in white. ZIP codes do not correspond exactly with city boundaries, so some of the ZIP codes included in the maps above may not lie completely within Detroit city limits.

## Recommendations

The housing crisis is far from over for the families living in hard-hit cities like Detroit. We need action to ensure that any recovery does not leave behind the communities living in these hot spots. Local officials in these cities should explore all options at their disposal to more effectively address the crisis. Here are some key steps that should be taken immediately to ensure an equitable recovery for all homeowners:

1. Loan holders – banks, government sponsored enterprises (i.e., Fannie Mae and Freddie Mac, which are regulated by the Federal Housing Finance Agency, FHFA), and investors – should reduce the principal on underwater mortgages to current market values.
2. If loan holders are unwilling or unable to reduce the principal on underwater mortgages to current market values, they should allow these loans to be purchased by publicly-owned or nonprofit entities that are willing to restructure them with fair and affordable terms.
3. Local municipalities should use all options at their disposal to facilitate the goal of resetting mortgages to current market values, including the use of “reverse eminent domain” (the program proposed in Richmond, California and elsewhere) to acquire mortgages in order to restructure them with fair and affordable terms.
4. Banks, government sponsored enterprises like Fannie Mae and Freddie Mac, and investors that own *vacant homes* that have already been foreclosed upon should sell them to publicly-owned or nonprofit entities that can convert them to affordable housing units for residents of the community instead of selling them to speculators.
5. Local municipalities should use all options at their disposal to facilitate the goal of turning vacant, foreclosed homes into affordable housing. This includes the use of “reverse eminent domain” to acquire properties in order to convert them to affordable housing units for residents of the community and to prevent them from being purchased by speculators.



haas institute  
FOR A FAIR AND INCLUSIVE SOCIETY

*Exhibit 2 (40 pages)*

Peter Dreier, Occidental College

Saqib Bhatti, Nathan Cummings Foundation

Rob Call, Massachusetts Institute of Technology

Alex Schwartz, The New School

Gregory Squires, George Washington University

# UNDERWATER AMERICA

HOW THE SO-CALLED  
HOUSING "RECOVERY"  
IS BYPASSING MANY  
AMERICAN COMMUNITIES





## has institute

FOR A FAIR AND INCLUSIVE SOCIETY

This report is published by the  
Haas Institute for a Fair and Inclusive Society  
at the University of California, Berkeley

The Haas Institute for a Fair and Inclusive Society at UC Berkeley brings together researchers, community stakeholders, policymakers and communicators to identify and challenge the barriers to an inclusive, just and sustainable society and create transformative change.

The Institute serves as a national hub of a vibrant network of researchers and community partners and will take a leadership role in translating, communicating and facilitating research, policy and strategic engagement. The Haas Institute advances research and policy related to marginalized people while essentially touching all who benefit from a truly diverse, fair and inclusive society.

### DIRECTORS

#### **John A. Powell**

Director, Haas Institute for a Fair and Inclusive Society  
Robert D. Haas Chancellor's Chair in Equity and Inclusion  
University of California, Berkeley

#### **Michael Omi**

Associate Director, Haas Institute for a Fair and Inclusive Society  
Associate Professor of Comparative Ethnic Studies  
University of California, Berkeley

#### **Stephen Menéndez**

Assistant Director and Research Director  
Haas Institute for a Fair and Inclusive Society

### CONTACT

Haas Institute for a Fair and Inclusive Society  
University of California, Berkeley  
460 Stephens Hall  
Berkeley, CA 94720-2330  
Tel: 510-642-3011  
<http://diversity.berkeley.edu/haas-institute>  
[facebook.com/haasinstitute](http://facebook.com/haasinstitute)  
[twitter.com/haasinstitute](http://twitter.com/haasinstitute)

### MEDIA

For media inquiries or questions about this report contact  
Rachelle Galloway-Popdas at [haasinstitute@gmail.com](mailto:haasinstitute@gmail.com).

The Haas Institute thanks the Ford Foundation, the Evelyn and Walter Haas, Jr. Fund and the W.K. Kellogg Foundation for support in making this report possible.

### About the Authors

#### **Peter Dreier**

Chair of the Urban and  
Environmental Policy Department  
and Professor of Politics  
Occidental College

#### **Sagib Bhani**

Fellow, Nathan Cummings Foundation

#### **Rob Call**

Graduate Student, Urban Planning  
Massachusetts Institute of Technology

#### **Alex Schwartz**

Professor of Urban Policy  
Milano School of International Affairs,  
Management, and Urban Policy  
The New School

#### **Gregory Squires**

Chair, Department of Sociology  
Professor of Sociology and  
Public Policy & Public Administration  
George Washington University

### Acknowledgments

The authors gratefully acknowledge **Rachel Atkins**, a graduate student at The New School, for the data analysis of underwater mortgages in this report; **Americans for Financial Reform** and its partner organizations for the data analysis of foreclosure trends published and provided for this report; **Chris Huang** at the Center for Popular Democracy and **Alison Miller**, a graduate student at The New School, and **Samir Gambhir** at the Haas Institute for their assistance with maps; and **Dan Immergluck**, Professor of City and Regional Planning at the Georgia Institute of Technology, for his help on this report.

This report was supported in part by a grant from the Nathan Cummings Foundation. The opinions, conclusions and recommendations expressed in this report are those of the authors and do not necessarily reflect those of the Nathan Cummings Foundation.



# UNDERWATER AMERICA

HOW THE SO-CALLED HOUSING "RECOVERY" IS BYPASSING MANY AMERICAN COMMUNITIES

## TABLE OF CONTENTS

Executive Summary.....	5
Introduction .....	7
The Hot Spots .....	11
Recommendations .....	20
Appendices .....	22
A Note on Data Sources .....	37
References .....	37



# LET'S DO THE NUMBERS

## HARDEST-HIT CITIES

In 57 cities, at least 30% of all mortgaged homes are still underwater.

Nearly 1 in 10 Americans live in the 100 hardest-hit cities (28.7 million).

34% of the 100 hardest-hit cities have median household incomes below \$40,000.

The 100 hardest-hit cities are in 27 states.

## HARDEST-HIT NEIGHBORHOODS

In 151 ZIP Codes, at least 50% of all mortgaged homes are still underwater.

10.4 million people live in the 395 hardest-hit ZIP codes.

43% of the 395 hardest-hit ZIP codes have median household incomes below \$40,000.

## HARDEST-HIT PEOPLE: COMMUNITIES OF COLOR

In 71 of the 100 hardest-hit cities, African Americans and Latinos account for at least 40% of the population.

In 146 of the 395 hardest-hit ZIP codes, African Americans and Latinos account for at least 75% of the population.

In 64% of the 395 hardest-hit ZIP codes, African Americans and Latinos accounted for at least half of the population.